

DDA 76-3661

22 July 1976

STATINTL MEMORANDUM FOR:

  
Chairman, ADMAG


STATINTL FROM

:   
Acting Executive Officer, DDA

SUBJECT : Non-Profit Transportation Association

REFERENCE : Memorandum from Chairman, ADMAG, dated  
23 June 1976, to DDA, Subject: Non-Profit  
Transportation Association

1. Upon receipt of your recommendations, the DDA forwarded them to the Director of Personnel for his comments. You will note from the reply that we have received that there would appear to be significant administrative and legal problems which preclude the implementation of your suggestion.

2. Should you care to discuss this matter further, please feel free to call me -- or , upon his return.

STATINTL

  
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Attachment

Distribution:

- Orig - Addressee w/att
- 1 - D/Pers
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Attachment: DDA 76-3588, Memo from D/Pers to DDA, Dated 20 July 76,  
Subject: Non-Profit Transportation Association.

STATINTL Acting EO/DDA/:lm (22 July 76)

Background: DDA 76-3153, Memo from Chairman, ADMAG to DDA,  
Dated 23 June 76, Subject: Non-Profit Transportation Association.

20 JUL 1976

MEMORANDUM FOR: Deputy Director for Administration

FROM : F. W. M. Janney  
Director of Personnel

SUBJECT : Non-Profit Transportation Association

REFERENCE : Memo to DDA from Chairman, ADMAG  
dtd 23 Jun 76, re same subject

1. Referent memorandum proposed two possible ways to form a non-profit transportation association utilizing vans driven by volunteer employees. The first involved purchase of the vehicle by the driver through low interest-rate Credit Union loans. The second envisioned the leasing of vans by the newly formed association with the "backing" of the Employee Activity Association. We assume "backing" would mean that EAA would be financially responsible if the transportation association were unable to fulfill the terms of the lease. Listed below are pertinent comments provided by the Credit Union and the Employee Activity Association.

2. Credit Union:

a. The ADMAG proposes that the Credit Union offer a preferential vehicle loan rate, under strict controls, to members in order to encourage car pooling.

b. The Federal Credit Union Act and the rules and regulations place limitation on the amounts, maturities, repayment terms and security required for loans. The Board of Directors may establish more restrictive loan limitations than those established by law and regulations; however, loans made to members must be for provident and productive purposes and must be approved. The role of the Credit Committee is to provide loans that will be helpful to members. Within the limitations prescribed by applicable law and regulations, the Board can adjust from time to time the interest rates on loans, the rate of interest refund, the maximum maturities, and terms of payment or amortization of loans to members and the maximum amount that may be loaned with and without security to any member.

c. If the limits set meet the applicable law and regulations, then it appears that the Board of Directors could legally grant loans such as suggested in the ADMAG memorandum; however, the Board must consider all the members in making its policy decisions since any cost would be borne by all. The Board should determine that the interest rate conforms to the Credit Union's overall financial objectives and that shareholders and borrowers are treated equally.

d. A precedent was set by the Board of Directors on 28 June 1972 with the passing of Resolution 72-25. The resolution established a special loan program at a preferred rate of 4 percent for members who suffered losses of real or personal property in the floods of June 1972.

e. The controls proposed by ADMAG would be hard to monitor and time consuming. For instance, requirements would include signed proof of daily and acceptable door-to-door transportation from at least six employees and revalidation of eligibility every three months. Also, non-compliance would result in reversion to a higher interest rate. This could require the full-time services of an individual to check on compliance and keep track of this particular kind of loan. The responsibility to control the program is passed to the Credit Union. What started out as a government-wide policy and an Agency problem could become a Credit Union administration headache with the cost being absorbed by all members.

f. The ADMAG suggestion assumes that the "preferred" interest rate will encourage people to apply for loans to purchase cars for pooling. At the present time, the Credit Union already has loans available to all members at a rate which is very competitive and, in most instances, lower than rates at banks. The difference in interest costs to the member between the suggested "preferred" rate, matching the current dividend level of 6.5 percent, and our regular auto loan rate of 9 percent would be about \$117 per year (on a \$7,000 van loaned for 48 months) or less than \$10 per month. This is not a significant difference and, in our opinion, not enough of a difference to encourage people to comply with the suggested controls. Also, the preferred rate matching the current dividend level would mean that the Credit Union and all of its members would have to assume any costs of administration above and beyond the 6.5 percent return.

3. Employee Activity Association:

a. The EAA is a non-profit organization with limited financial resources. It has recently had considerable expense related to the move and renovation of the EAA Store. There has also been discussion in recent months of the possibility that EAA will have to further absorb the salary expense of its personnel and reimburse the Agency for space that it occupies. With this impact on EAA's net worth, it is questionable whether EAA has the financial capability to qualify as the "backer" of van leases.

b. The Employee Activity Association's participation in this venture could be questionable from another aspect, i.e., its charter. The charter provides for a broad range of endeavors. It does, however, seem to direct that these activities be for the welfare of its membership. This could possibly be overcome by requiring all participants to be EAA members, but such an action would tend to make the whole operation an EAA endeavor. While the EAA staff could assist with initial organization, polling of interest and publicity, it has neither the personnel nor the facilities to take on the full-time administration of an activity as complex as the non-profit transportation association. Furthermore, it does not appear feasible to consider staffing such an activity with volunteers as envisioned in this proposal.

c. As a point of interest, the idea of van pooling was submitted as an employee suggestion one year ago and was declined. (A copy of Suggestion #76-16 is attached.)

4. We commend ADMAG for the creativity demonstrated in their car pooling proposal, but we do not believe we can concur, for the reasons specified above.

(Signed) F. W. M. Janney

F. W. M. Janney

Attachment

Distribution:

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DD/Pers/SP-C/BS  
OP/Credit Union  
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Approved For

3/30 : CIA-RDP79-00498A000100140012-2

STATINTL

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<b>OFFICIAL ROUTING SLIP</b>			
TO	NAME AND ADDRESS	DATE	INITIALS
1	Deputy Director for Administration		—
2	7D 26, Headquarters		
3	FO/DOA	20 July	<i>[Signature]</i>
4	ADDA	21 JUL 1976	<i>[Signature]</i>
5	DDA		
6			
<input type="checkbox"/>	ACTION	<input type="checkbox"/>	DIRECT REPLY
<input type="checkbox"/>	APPROVAL	<input type="checkbox"/>	DISPATCH
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<b>Remarks:</b>  <p>OP Response to ADMAAG on          USING CREDIT UNION &amp; EHA          TO STIMULATE USE OF COOP POOLS.          I HAVE AGREED WITH OP.</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
Director of Personnel			20 JUL 1976